United Nations A/C.5/65/SR.5

General Assembly
Sixty-fifth session

Official Records

Distr.: General
28 October 2010

Original: English

Fifth Committee

Summary record of the 5th meeting
Held at Headquarters, New York, on Friday, 8 October 2010, at 10 a.m.

Chair: Mr. Rosenthal ..... (Guatemala)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: (Ms. McLurg)

Contents

Agenda item 139: Report on the activities of the Office of Internal Oversight Services

Agenda item 128: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

10-57319 (E)

Please recycle

The meeting was called to order at 10.15 a.m.

Agenda item 139: Report on the activities of the Office of Internal Oversight Services (A/65/271 (Part I) and Corr.1 and Add.1 and Add.1/Corr.1)

Agenda item 128: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*) (A/65/329)

1. **Ms. Lapointe** (Under-Secretary-General for Internal Oversight Services) said that she would work diligently to strengthen the effectiveness of the internal oversight function, building on the qualities of leadership and professionalism that her predecessors had established for the Office of Internal Oversight Services (OIOS). Her team, working together with the Senior Management Group, would strive to help address the many challenges currently facing the Organization in a collaborative manner and without compromising the operational independence that afforded OIOS its unique perspective.

2. Introducing the annual report of OIOS (A/65/271 (Part I) and Corr.1 and Add.1 and Add.1/Corr.1), and pointing out that oversight of peacekeeping would be covered in Part II of the report for consideration at the resumed part of the sixty-fifth session, she said that OIOS had issued 1,922 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness, in 382 reports, during the period from 1 July 2009 to 30 June 2010. Of those recommendations, 52 per cent had been implemented as of 30 June 2010. The percentage of recommendations implemented within three years of issuance remained consistently high at 95 per cent. Chapter III of the report summarized selected findings from the period under review, classified in seven risk categories.

3. **Mr. Walker** (Chairman of the Independent Audit Advisory Committee), introducing the report of the Independent Audit Advisory Committee (IAAC) on its activities for the period from 1 August 2009 to 31 July 2010 (A/65/329), said that although members of IAAC served on a part-time basis, all members had had a 100 per cent attendance rate at its sessions to date and all their decisions had been unanimous. During the reporting period, IAAC had continued its practice of meeting with a broad range of key United Nations stakeholders, including representatives of Member States, the Secretary-General, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Board of Auditors, and had routinely met with the Under-Secretary-General for Internal Oversight Services and the Under-Secretary-General for Management, or their representatives, at each of its sessions. The report contained a preliminary workplan for 2011, based on the responsibilities of IAAC, the United Nations budget cycle, and interactions with ACABQ and the Board of Auditors.

4. While he understood the reasons why several recommendations contained in the annex to the previous IAAC report (A/64/288) relating to OIOS had been deferred for consideration by the General Assembly no later than at the main part of its sixty-sixth session, he stressed that they were of critical importance and should certainly not be deferred beyond the sixty-sixth session. IAAC looked forward to providing additional advice on the relevant issues and would monitor their consideration by the General Assembly. It was to be hoped that the recommendations would be addressed and adopted in a timely manner.

5. Annex I to the report (A/65/329) contained observations, comments and recommendations on the effectiveness, efficiency and impact of OIOS activities. In compiling its risk-based workplans, OIOS needed to take into account the quality and effectiveness of internal controls that management had put into place to mitigate residual risk. IAAC would review the progress made by OIOS in that regard and would report back accordingly. OIOS could also add value to its work and improve its efficiency and effectiveness, by placing greater emphasis on horizontal audits and thematic issues, in order to identify major systemic issues that needed to be addressed by management as a priority. Furthermore, the Office should expedite the issuance of its reports, in order to maximize their value, and should take urgent action to fill the high number of vacant posts, particularly at the D-2 level, since further delays would have an adverse effect on its ability to carry out its programme of work. Although those issues still needed to be addressed, the Office appeared to be making good progress with regard to the quality of its work and adherence to international standards.

6. In Annex II to its report IAAC put forward a number of recommendations for amending its terms of reference. The recommendations would have the General Assembly expand the responsibilities of IAAC to include the review of management's system

accounting for performance results, the provision of advice to the General Assembly on potential changes to accounting policies and disclosure practices, and facilitating the sharing of best practices and lessons learned with other United Nations audit and oversight bodies, consider reducing from five years to three the cooling-off period required for former senior Secretariat officials to be eligible for appointment to IAAC following their separation from service, and for members of IAAC to be eligible for appointment in the Secretariat, and, lastly, consider changing the name to "Independent Accountability Advisory Committee" in line with the General Assembly's new definition of "accountability".

7. IAAC welcomed the decision of the General Assembly, in its resolution 64/259, to establish a clear definition of accountability that included performance results. Annex III to the report contained recommendations for further enhancing accountability in the Secretariat, pursuant to that resolution. Although the General Assembly was not scheduled to discuss the accountability system until its sixty-sixth session, IAAC had agreed that its current report would contain supplementary comments relevant to risk management procedures and the internal control framework that fell within its terms of reference. It also recommended that the Secretariat should develop a clearly defined and well-documented plan for accomplishing the specific actions it planned to undertake in response to Assembly resolution 64/259.

8. Events relevant to the work of IAAC in 2011 included the appointment or reappointment of three of its five members to a new term starting in January 2011; the end of term for two of the five members whose first four-year term expired in December 2011; and the transition in leadership within OIOS following the recent appointment of a new Under-Secretary-General for Internal Oversight Services.

9. **Mr. Al-Shahari** (Yemen), speaking on behalf of the Group of 77 and China, said that, while the Group would like to assure the new Under-Secretary-General for Internal Oversight Services of its cooperation and support in discharging the mandate given to her Office, it was regrettable that her appointment had not been made with due regard for geographical rotation in accordance with the provisions of paragraph 3 (e) of General Assembly resolution 46/232. The Group expected future appointments to be made in conformity with that provision. It was also concerned that overall vacancy rates in OIOS were slightly higher than in the previous year and that the posts of Director of the Investigations Division and Director of the Inspections and Evaluation Division had still not been filled, which continued to adversely affect the Office's work. There was an urgent need for all vacant posts in OIOS to be filled, in full compliance with the principle of gender balance and equitable geographical distribution.

10. The Group, recalling that the Office had an essential role to play in improving internal controls, accountability mechanisms and organizational efficiency and effectiveness, reiterated its support for the operational independence of OIOS, pursuant to General Assembly resolution 48/218 B, and for the Office's role in assisting the Secretary-General to fulfil his internal oversight responsibilities. It also reaffirmed the separate and distinct roles of internal and external oversight mechanisms, and appreciated the Office's regular coordination with the Board of Auditors and the Joint Inspection Unit, as well as its ongoing efforts to strengthen its inspection and evaluation, internal audit and investigation functions.

11. The Group was concerned that, although a number of United Nations entities consistently implemented OIOS recommendations in a timely manner, implementation of many critical recommendations was lagging or management had failed to respond in a timely manner. All departments and entities should cooperate fully with OIOS and implement its recommendations. The Office, for its part, should engage closely with the Secretariat and other United Nations entities to resolve differences before raising issues for deliberation by the General Assembly. The Group noted the oversight findings by risk category contained in the OIOS report and welcomed dialogue between OIOS, IAAC and the Secretariat in strengthening the management of risk. It also looked forward to further discussion on the key findings of the OIOS report with regard to procurement, the capital master plan, the United Nations Compensation Commission, and construction of additional office facilities at the United Nations Office at Nairobi and the Economic Commission for Africa.

12. With regard to the recommendations in the IAAC report regarding the effectiveness, efficiency and impact of its audit activities and other oversight functions, the Group emphasized that any modification to the terms of reference for IAAC remained the sole prerogative of the General Assembly.

13. **Mr. De Preter** (Belgium), speaking on behalf of the European Union; the candidate countries Croatia, Iceland, and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro and Serbia; and, in addition, Armenia, the Republic of Moldova and Ukraine, said that the new Under-Secretary-General for Internal Oversight Services had all the necessary experience and expertise to undertake that demanding position. He also wished to thank the previous Under-Secretary-General for Internal Oversight Services for her excellent work.

14. The European Union appreciated the clear reporting of OIOS on its annual activities, and welcomed the risk-based approach that it continued to use in establishing priorities for its work, as well as the adjustment of its risk assessment to consider residual risk in its work planning process. The large number of vacant posts in OIOS, especially at the senior management level, must be filled expeditiously. He welcomed the apparent positive trend in implementation of OIOS recommendations and commended the Office for its efforts towards creating a culture of transparency and accountability at the United Nations. The continued close coordination between OIOS, the Joint Inspection Unit, the Board of Auditors and IAAC was also laudable, as it allowed those bodies to avoid duplication in oversight work and discuss issues of common interest. Furthermore, the operational independence of OIOS in discharging its duties was of fundamental interest to the Organization as a whole.

15. The European Union appreciated the work of IAAC and the clear summary of its activities provided in its report. It wished to see IAAC continue to perform its functions as established in General Assembly resolutions 60/248 and 61/275, and would carefully study the detailed comments and recommendations contained in the report, particularly those related to possible changes in the terms of reference.

16. **Mr. Ballantyne** (New Zealand), speaking also on behalf of Australia and Canada, said that the three delegations attached great importance to an effective, highly professional and operationally independent internal oversight function in the United Nations. The mandate of OIOS to provide support and advice to the Secretary-General, while at the same time reporting directly to the General Assembly, represented a tough balancing act, but the three delegations were convinced that under the leadership of the new Under-Secretary-General the partnership between OIOS and the wider Secretariat would enter a new and more constructive phase.

17. The three delegations strongly endorsed the IAAC recommendation that the Secretariat should develop a clearly defined and well-documented plan for taking the actions necessary to implement General Assembly resolution 64/259 in order to bring about tangible improvement of the Organization's accountability framework. The comments made by IAAC in the area of risk management were also very helpful. In particular, the three delegations agreed that the Secretary-General should integrate enterprise risk management into the programme planning process.

18. The current session provided a unique opportunity to fine-tune the mandate of IAAC and thereby ensure that its expert advice was put to the best possible use. In that connection, the three delegations saw merit in the recommendation that Member States should consider expanding the current terms of reference of IAAC to include responsibility for reviewing management's system for accounting for performance results.

19. **Ms. Tan** (Singapore) said that her delegation remained concerned that the principles of geographical rotation and full consultation with Member States had not been respected in the appointment of the new Under-Secretary-General for Internal Oversight Services. The way in which the post had been filled did not set a precedent for future appointments.

20. The need for strong controls, accountability and oversight in the United Nations was greater than ever, given that the scope, volume and complexity of its activities had multiplied since the establishment of OIOS in 1994. It was therefore critical that Member States should monitor the operational independence of OIOS in order to ensure that it fulfilled its functions effectively. Her delegation continued to support the goal of strengthening investigations to combat corruption and other misconduct at all levels in the Secretariat and therefore urged OIOS to remedy urgently the staffing situation in its Investigations Division, as well as to ensure that all investigations were conducted fairly and transparently. IAAC had consistently provided useful insight on how OIOS could improve its work.

21. **Mr. Pankin** (Russian Federation) said that OIOS occupied a unique position in the Organization's oversight

architecture since, although part of the Secretariat, it enjoyed a degree of independence and made its reports available to the General Assembly in their entirety. However, as the Member States met its substantial operating costs, they were entitled to expect it to fulfil its mandate by bringing about a genuine increase in the Organization's accountability and effectiveness.

22. The frequent politicization of the Member States' discussion of OIOS inspections, investigations and recommendations complicated the task of reaching considered and objective decisions on those recommendations, and led in turn to a risk that the Secretariat might fail to take concrete action to remedy the shortcomings highlighted. The number of OIOS recommendations, including priority recommendations, that management had either not accepted or had so far failed to implement had increased. Unless the new Under-Secretary-General addressed the failure to accept certain recommendations, the Member States would find themselves caught between OIOS, which was recommending action to remedy a particular situation, and the programme managers, who were maintaining that OIOS had misinterpreted that situation. The proper functioning of the Organization depended heavily on the establishment of a harmonious working relationship between OIOS and the Secretariat departments.

23. **Ms. Grünenfelder** (Switzerland), speaking also on behalf of Liechtenstein, said that it was reassuring to see the new Under-Secretary-General for Internal Oversight Services at the helm of OIOS at a time when strong leadership was particularly important. The Committee's recent negotiations on the operational independence of OIOS had highlighted differences among Member States regarding the Office's role and position within the Organization, as well as the appointing authority for its senior management. It was to be hoped that the new Under-Secretary-General would be able to provide guidance and suggest solutions to strengthen OIOS; increase its credibility and authority vis-à-vis the Secretary-General and management; and build trust among Member States.

24. With regard to the OIOS annual report, the two delegations welcomed the progress made in terms of the quality of the Office's work and its adherence to international standards; however, they also noted the persistence of certain problems, such as a continued focus on inherent risk rather than residual risk in the work planning process, and very high vacancy rates, which clearly had a negative impact on productivity and effectiveness. The IAAC recommendation that the Office should conduct more audits of cross-cutting and systemic issues had merit, since such audits would enable OIOS to adopt and convey a more strategic perspective on oversight issues and challenges in the United Nations. Such a perspective should have a more prominent place in future OIOS annual reports.

25. The two delegations commended IAAC for the quality of its annual report. The important recommendations that it had recently made in relation to the operational independence of OIOS would serve as key benchmarks when the Committee discussed the issue again. It would therefore be helpful if IAAC could elaborate on them further, taking into account the Committee's previous discussions and relevant recent developments within the Organization. Furthermore, both delegations concurred with the recommendation that the terms of reference for IAAC should be expanded to include a responsibility to review management's system for accounting for performance results, since that would meaningfully complement its current focus on risk. They also shared the concerns of IAAC regarding implementation of the International Public Sector Accounting Standards (IPSAS) project and would welcome a more active role for IAAC members in advising the General Assembly in that regard. Lastly, there was merit in allowing IAAC to share best practices and lessons learned with other United Nations audit and oversight bodies, including audit committees.

26. **Mr. Melrose** (United States of America) said that his delegation looked forward to working with the new Under-Secretary-General for Internal Oversight Services to strengthen the role and functions of OIOS, whose work was of critical importance for the ongoing viability and effectiveness of the United Nations. In that connection, it was encouraging that the new Under-Secretary-General had undertaken to build a more cooperative relationship with OIOS clients and with management in general, while maintaining the Office's operational independence and providing more concise audit and inspection recommendations by concentrating on those matters of greatest significance. His delegation would continue to monitor efforts to strengthen the investigation capacity of OIOS, which had been a matter of concern for some time. Information on efforts to create forensic investigative capacity within OIOS and to fill critical vacancies in its Investigation Division would also be particularly welcome.

27. The recommendations contained in the IAAC report highlighted a number of critical issues, including the urgent need for OIOS to fill Director-level posts; the need for the Office to redefine its risk-based approach to work planning and conduct more cross-cutting audits; and the importance of full and timely implementation of oversight bodies' recommendations. The Committee had an important task before it in reviewing the terms of reference for IAAC; his delegation looked forward to discussing the matter further in informal consultations.

28. **Ms. Jacobsen Takahashi** (Norway), congratulating the new Under-Secretary-General for Internal Oversight Services on her appointment and expressing appreciation for her predecessor's excellent work, stressed that the United Nations must manage its funds effectively, efficiently and with zero tolerance for corruption, fraud or any other misuse of funds. Her delegation expected the Organization as a whole to have appropriate policies and mechanisms in place to prevent such abuses; ensure that funds were used in a consistent manner; and detect, report and address any cases of financial mismanagement. It looked forward to contributing to the follow-up of recent United Nations initiatives in that regard.

29. Bearing in mind that OIOS played a key role in promoting good governance, accountability and transparency in the United Nations, and that its operational independence was closely linked to the Organization's credibility and legitimacy, her delegation agreed that the IAAC recommendations on OIOS were of critical importance and appreciated the offer of IAAC to provide further advice on those issues.

30. OIOS was to be commended for its commitment to the highest standards of professionalism and efficiency. It was important therefore that the financial and personnel resources available to it should be commensurate with its mandate and workplan. Immediate action was also required to fill the Office's vacant posts, particularly at the senior management level.

31. The number of OIOS recommendations, especially critical recommendations, made in the reporting period was staggering and left no room for complacency. Her delegation looked forward to continued transparency on the implementation rate of recommendations, which must be closely monitored. Lastly, it would be helpful if OIOS would elaborate on the reference in the summary of its report to the need for the United Nations to develop an accountability framework.

32. **Ms. Berlanga** (Mexico) congratulated the new Under-Secretary-General for Internal Oversight Services on her appointment and acknowledged the important work that had been carried out by her predecessor. Both OIOS and IAAC had a vital role to play in the Organization's accountability system. In that connection, her delegation trusted that the appointment of the new Under-Secretary-General would help to close existing gaps in accountability and transparency in such areas as evaluation and investigation. It was especially important to establish stricter controls in monitoring the use of financial resources, including more vigorous mechanisms for recovering funds lost through fraud. With regard to the IAAC recommendation that it should be given a responsibility for reviewing management's system for accounting for performance results, an appropriate evaluation of performance at all levels would help the Organization to function more efficiently; the work of IAAC should therefore focus on that objective.

33. Her delegation welcomed the oversight findings by risk category included in the OIOS report. It was important that residual risk should be taken into account in the preparation of workplans. Adequate explanation should be given for the persistently high vacancy rates in OIOS and vacant posts should be expeditiously filled. With regard to the operational independence of OIOS, her delegation supported any measure aimed at improving the accountability and transparency of the United Nations system and would cooperate in informal consultations to find a solution that was acceptable to all delegations.

34. **Ms. Lapointe** (Under-Secretary-General for Internal Oversight Services) said that OIOS was working actively to address in a timely manner many of the concerns that had been raised, particularly with regard to the vacant posts at the D-2 level, as well as all other vacancies. Candidates had in many cases been identified and OIOS would continue to fill vacancies in accordance with the relevant guidelines.

35. Concerning the assessment of risk, OIOS had already moved to a process of reviewing residual rather than inherent risk, since it was indeed impossible to establish a valid risk assessment without considering residual risk and the quality of controls already in place. Furthermore, such risk assessments were being undertaken in collaboration with management; risk registers were handed back to clients so that they could

identify issues requiring closer management within their own operations.

36. Lastly, she agreed that OIOS had an excellent opportunity to conduct more cross-cutting audits, as recommended by IAAC. It would also be important to look at issues addressed in previous reports to see whether, through further analysis, systemic issues could be identified. She looked forward to addressing in informal consultations many of the points raised.

37. **Mr. Walker** (Chairman of the Independent Audit Advisory Committee) reiterated the importance of the Assembly's taking up the IAAC recommendations that had been deferred, especially those dealing with the operational independence of OIOS. He looked forward to discussing in informal consultations the issues raised in the IAAC report.

The meeting rose at 11.20 a.m.